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## BRITAIN AND THE EUROPEAN MONETARY SYSTEM

ANNCR: THE NINE MEMBER EUROPEAN COMMUNITY HOLDS A SUMMIT MEETING IN BRUSSELS ON MONDAY AND TUESDAY (12/4-5) WITH THE MAIN ITEM EXPECTED TO BE CREATION OF A EUROPEAN MONETARY SYSTEM. BUT ONE OF THE MARKET MEMBERS, BRITAIN, HAS YET TO ANNOUNCE ITS INTENTIONS. FROM LONDON, VOA CORRESPONDENT DAVID WILLIAMS PROVIDES THIS BACKGROUND REPORT.

VOICE: THE EUROPEAN MONETARY SYSTEM -- OR E-M-S-- IS THE BRAIN-CHILD OF GERMANY AND FRANCE. THE IDEA WAS FIRST PUT FORWARD AT THE EUROPEAN SUMMIT IN BREMEN LAST JULY AND IS TO GO INTO FORCE AT THE BEGINNING OF NINETEEN SEVENTY-NINE. SINCE THE BREMEN SUMMIT, MANY OF THE COMMUNITY MEMBERS HAVE VOICED QUESTIONS AS TO HOW THE NEW SYSTEM WOULD AFFECT THEIR ECONOMIES. BUT ONLY BRITAIN HAS EXPRESSED SERIOUS DOUBTS ABOUT JOINING.

BRIEFLY, THE NEW SYSTEM MEANS THAT MEMBER CURRENCIES WOULD NO LONGER FLOAT FREELY AGAINST EACH OTHER, BUT WOULD HAVE ALMOST FIXED RATES. AS AN INDUCEMENT FOR ROME TO JOIN, THE ITALIAN LIRA WOULD BE ALLOWED THE GREATEST MOVEMENT OF SIX PERCENT FROM A CENTRALLY AGREED FIGURE. IF THE VALUES OF ANY CURRENCIES FLUCTUATE BEYOND THE AGREED FIGURE, THEN EACH COUNTRY MUST INTERVENE TO PROTECT ITS OWN CURRENCY.

TO HELP MEMBER STATES, ALL COUNTRIES MUST ALLOCATE TWENTY PERCENT OF THEIR GOLD AND FINANCIAL RESERVES TO A COOPERATION FUND. MEMBERS WILL BE ABLE TO CALL UPON THE FUND FOR SUPPORT UP TO ABOUT THIRTY-FIVE THOUSAND MILLION DOLLARS TO PROTECT THEIR CURRENCIES. SOME OF THE COMMUNITY'S CURRENCIES ARE ALREADY LINKED TO EACH OTHER IN THE EUROPEAN JOINT FLOAT KNOWN AS "THE SNAKE."

THESE ARE THE WEST GERMAN, DANISH AND BENELUX CURRENCIES. RATES WILL HAVE TO BE ESTABLISHED FOR THE OTHERS, BUT THIS IS EXPECTED THE FOLLOWING WEEK AT A MEETING OF CENTRAL BANKERS IN BASLE. HOWEVER, BRITAIN IS STANDING BACK, UNCERTAIN OF WHICH WAY TO MOVE. LONDON ALREADY HAS SEVERAL MATTERS IT IS UNHAPPY ABOUT WITHIN THE COMMON MARKET SYSTEM--NAMELY, THE FISHERIES POLICY, THE AGRICULTURAL POLICY WITH SEVENTY PERCENT OF THE BUDGET SUPPORTING HIGH AGRICULTURAL PRICES AND THE COMMUNITY'S BUDGET CONTRIBUTIONS. IT WAS REVEALED RECENTLY THAT BRITAIN, THE SEVENTH WEAKEST COUNTRY ECONOMICALLY WITHIN THE COMMUNITY, WAS THE NUMBER TWO COUNTRY IN CONTRIBUTIONS AND WOULD SURPASS WEST GERMANY IN NINETEEN EIGHTY.

THE BRITISH LABOR GOVERNMENT HAS EXPRESSED FEARS THAT JOINING THE MONETARY SYSTEM COULD HAVE AN ADVERSE EFFECT ON DOMESTIC EFFORTS TO INCREASE PRODUCTION AND EMPLOYMENT WHILE CONTROLLING INFLATION. WHILE LABOR PARTY LEADERS HAVE EXPRESSED DOUBT ABOUT E.M.S. MEMBERSHIP, THE OPPOSITION CONSERVATIVE PARTY AND MANY FINANCIAL LEADERS HAVE COME OUT IN FAVOR. THEY WARN THAT BRITAIN COULD BE LEFT OUT IN THE COLD IF IT FAILS TO JOIN. THEY SAY IT COULD ALSO BE TAKEN AS AN ADMISSION OF WEAKNESS FOR THE POUND STERLING, THUS CAUSING THE CURRENCY TO DROP ON INTERNATIONAL MARKETS. AND FINALLY, IF IRELAND JOINS AND BRITAIN DOES NOT, IT WOULD END THE ONE HUNDRED FIFTY YEAR OLD PARITY BETWEEN THE TWO CURRENCIES.

IT HAS BEEN WIDELY REPORTED IN LONDON THAT PRIME MINISTER CALLAGHAN HAS WORKED OUT A COMPROMISE WITH OTHER COMMUNITY LEADERS ALLOWING BRITAIN NINE MONTHS TO OBSERVE THE SYSTEM'S OPERATION.

THERE IS ALSO A VERY REAL POLITICAL REASON WHY MISTER CALLAGHAN WANTS MORE TIME. THE LEFT WING OF HIS LABOR PARTY OPPOSES JOINING THE SYSTEM AND HE DOES NOT WANT A PARTY REVOLT WHEN GENERAL ELECTIONS ARE LESS THAN TEN MONTHS AWAY.